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January 30, 2013

Ms. Jocelyn Boyd  
Chief Clerk  
Public Service Commission of South Carolina  
Post Office Drawer 11649  
Columbia, South Carolina 29211

**RE: Application Regarding the Acquisition of Progress Energy, Incorporated by  
Duke Energy Corporation and Merger of Progress Energy Carolinas,  
Incorporated and Duke Energy Carolinas, LLC  
PSC Docket No. 2011-158-E**

Dear Mrs. Boyd:

In Order No. 2012-517 Approving Joint Dispatch Agreement ("JDA"), the Public Service Commission of South Carolina ("Commission") conditioned its approval of the JDA on, among other things, Duke Energy Carolinas, LLC's ("DEC") and Progress Energy Carolinas, Inc.'s ("PEC") filing with the Commission all reports the North Carolina Utilities Commission required DEC and PEC to file in Order *Approving Merger Subject to Regulatory Conditions and Code of Conduct*, issued June 29, 2012, in Dockets Nos. E-2, 998 and E-7, Sub 986. (JDA at 43.)

One report that must be filed in North Carolina is Potomac Economics' report to FERC concerning DEC's and PEC's compliance with the interim and permanent mitigation measures meant to address FERC's market power concerns stemming from the DEC and PEC merger. The reports Potomac has issued since October 17, 2012, are attached. The reports find DEC and PEC in compliance with FERC interim mitigation measures and permanent market power mitigation projects advancing as approved by FERC.

If you have any questions, please let me know.

Sincerely,

  
Timika Shafeek-Horton

cc: Courtney Edwards, ORS  
John Flitter, Director of Electric and Gas Regulation  
Parties of record

January 11, 2013

The Honorable Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E., Room 1A  
Washington, D.C. 20426

Re: *Duke Energy Corporation, Progress Energy, Inc.* (Docket No. EC11-60-004, *et al*).

Dear Ms. Bose:

Pursuant to the Commission's June 8, 2012 order in the above-captioned proceeding, the Commission ordered Interim Mitigation Measures to address market power concerns associated with the merger between Duke Energy Corporation and Progress Energy, Inc. ("the Companies"). The Interim Mitigation Measures require sales of capacity and energy pursuant to Power Sales Agreements (PSAs) that reduce the Companies' market share in certain relevant markets.<sup>1</sup>

These Interim Mitigation sales take place in the Summer Season (June-September) and the Winter Season (December-February). Accordingly, during October and November, no Interim Mitigation sales were in effect. Interim Mitigation sales resumed on December 1, 2012.

As the Independent Monitor, Potomac Economics, Ltd. ("Potomac Economics") is required to report when Interim Mitigation sales are not fully delivered or if Duke re-purchases all or some of the Interim Mitigation sales quantities. During the Summer Season, this occurred intermittently and we filed reports accordingly.

Since the resumption of the Interim Mitigation sales on December 1, 2012, and through at least January 8, 2013, all sales have been fully delivered and Duke has engaged in no re-purchases. While our letter is not required under the Commission's order, we file it in order to keep the Commission and interested parties apprised of the Interim Mitigation sales.

Respectfully submitted,  
POTOMAC ECONOMICS, LTD.

By: /s/ Robert A. Sinclair

Robert A. Sinclair, Vice President

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<sup>1</sup> Order Accepting Revised Compliance Filing, Slip Op. at ¶107, (June 8, 2012).

Potomac Economics, Ltd.  
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Fairfax, Virginia 22030



Telephone: 703-383-6270  
Facsimile: 703-383-0796

October 31, 2012

The Honorable Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E., Room 1A  
Washington, D.C. 20426

Re: *Duke Energy Corporation, Progress Energy, Inc.*  
Docket No. EC11-60-004, et al.

Dear Ms. Bose:

Pursuant to the Commission's June 8, 2012 order in the above-captioned proceeding, the Commission ordered Permanent Mitigation Measures to address market power concerns associated with the merger between Duke Energy Corporation and Progress Energy, Inc.<sup>1</sup>

The Permanent Mitigation Measures involve construction of various transmission facilities. As the Independent Monitor, Potomac Economics, Ltd. is required to issue quarterly reports to track the progress of the mitigation projects. Included for filing is our report for the Third Quarter of 2012.

Respectfully submitted,

POTOMAC ECONOMICS, LTD.

By: /s/ Robert A. Sinclair

Robert A. Sinclair, Vice President

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<sup>1</sup> Order Accepting Revised Compliance Filing Slip Op. at ¶107, (June 8, 2012).

**INDEPENDENT MONITORING REPORT  
ON PERMANENT MITIGATION MEASURES FOR  
DUKE ENERGY CORPORATION AND  
PROGRESS ENERGY INC.**

**Third Quarter 2012**

Prepared by:



Potomac Economics, Ltd.  
Independent Monitor

**October 31, 2012**

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**Table of Contents**

**Overview ..... 1**

**Permanent Mitigation Measures ..... 2**

    A. Project Scope ..... 3

    B. In-Service Dates..... 4

    C. Project Risks ..... 5

**Appendix 1 – Scope of Projects..... 7**

**Appendix 2: Duke-Progress Energy Merger Project Status Report..... 9**

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**OVERVIEW**

This is the independent monitoring report for the Third Quarter of 2012 on Permanent Market Power Mitigation Measures relating to the merger between Duke Energy Corporation and Progress Energy (the “Companies”).

Independent monitoring of the permanent mitigation measures was required by the Federal Energy Regulatory Commission (the “Commission”) in its Order in Docket No. EC11-60-000, *et al.* to address certain merger-related market power concerns. In particular, using the Delivered Price Test, which is the empirical market power screen used by the Commission to calculate market shares in relevant markets potentially affected by a merger, the Commission determined that the merged entity would possess unacceptable levels of market power in certain relevant markets. To address the Commission’s concerns, the Companies proposed, and the Commission accepted, permanent, structural mitigation measures consisting of the construction of new facilities to expand transmission capability into the relevant markets in question. The expanded import capability in the relevant markets would increase supply and reduce the Companies’ market share below the thresholds established in the Delivered Price Test.

In approving the permanent mitigation measures, the Commission required that the Independent Monitor track the progress of the transmission projects comprising the permanent mitigation and file quarterly reports on whether the projects are proceeding on time and within the original scope.

Accordingly, in this report, we describe the nature of and the progress with permanent mitigation projects. Overall, we find that the projects are advancing in accordance with the scope and time line originally established by the Companies and approved by the Commission.

**PERMANENT MITIGATION MEASURES**

The Companies' proposed permanent mitigation measures address the Commission's screen violation that occurred in both summer and winter periods in markets corresponding to the Duke Energy Carolina Balancing Authority Area ("BAA") and the Progress Energy Carolinas BAA. An increase in the transmission import capability into the BAAs results in a reduction in concentration at those locations. As a result, by increasing the import capability on the PJM-Duke interface and the PJM-Progress interface, additional supply is assumed to be deliverable to the BAAs and reduces the concentration to within acceptable limits in the Commission's market screen.

Accordingly, in its March 2012 Compliance Filing ("Compliance Filing") the Companies proposed transmission upgrades designed to increase the import capability on the interfaces (by approximately 1500 MW on the PJM-Duke interface in both seasons and by approximately 2400 MW on the PJM-Progress interface in summer). There are a total of seven projects, as described in Table 1.

In addition to these seven projects, the Companies committed to accelerating the construction of the already-planned Greenville-Kinston DuPont 230kV Line in order to bring the in-service date forward from 2017 to 2015. Accelerating this project is required to ensure related mitigation projects (items 4-7 in the Table) are able to be placed in service as proposed. Therefore, there are eight projects that are currently under development to satisfy the permanent mitigation measures.

**Monitoring Report on Permanent Mitigation Measures  
Duke Energy Corporation and Progress Energy**

Third Quarter 2012

**Table 1: Transmission Expansion Projects under the Permanent Mitigation Measures**

	Project (location)	Cost	Time to Construct
1	Antioch 500/230 kV - Replace two existing transformers with larger capacity ones (Duke Energy)	\$50 million	3 years
2	Lilesville-Rockingham 230 kV – Construct new third line (Progress East)	\$15.7 million	2 years
3	Roxboro-E Danville 230 tie –add a series reactor to one Roxboro-E Danville 230 kV line and revise operating procedures (Progress East)	\$6.6 million	2 years
4	Reconductor Kinston Dupont – Wommack 230 kV line (Progress East)	\$18 million	2 years
5	Person - Halifax 230 kV Line, reconductor 20 miles of Dominion Virginia Power portion of line (Progress East)	\$16 million	2.5 years
6	Wake – Carson 500 kV Line, replace existing wave traps with 4000 amp wave traps at both terminals and rework protective relaying.	\$1.5 million	less than 2 years
7	Durham - E. Durham 230 kV line, Uprate CT Ratio to 3000 amps (Progress East).	\$500k	less than 2 years

Source: Companies' Revised Compliance Filing, March 26, 2012.

**A. Project Scope**

As discussed above, the monitoring of the permanent mitigation measures was aimed at tracking the scope and timing of the proposed upgrades. In this subsection, we address the scope of the projects.

We reviewed the scope of the mitigation projects as described in the Companies' monthly status reports.<sup>1</sup> Appendix 1 shows a comparison of the scope of each project as described in the most recent monthly status report and the Companies' Compliance Filing. Although the descriptions

<sup>1</sup> The Companies provide monthly status reports that track the progress of the mitigation projects. The most recent report includes status updates through September 30, 2012. The Companies' most recent monthly status report is attached hereto.

in the Compliance filings do not always match exactly the description in the monthly status report, we found that the current scope for all but one project was consistent with the Compliance Filing.

The one project that changed scope slightly was Kinston DuPont-Wommack 230 kV reconductoring project (item #4 in Table 1). In July, the Companies reported to us that they were modifying the design of this project. The redesign included an alternative conductor type that was lighter than the originally-specified conductor but retained its electrical quality. The lighter design avoided the need to install additional towers, which not only reduced the overall cost, but it also tended to relieve construction times. The expected completion date for this project is now less than two years from the closing of the merger.

While we report this as a change in scope from that envisioned in the Compliance Filing, we find it to be a favorable change.

#### **B. In-Service Dates**

The monthly status reports provide summary tables of major milestones for each project. The summary tables provide a Planned Completion Date for each milestone and a Projected Completion Date, which is the most recent update to the Planned Completion Date.

If a particular milestone has been started, then the summary tables report the status. The status for most milestones that have started is either “Complete” or “On-Schedule”. Other possible status designations are: (a) “Behind-Recoverable”, which means the milestone is behind schedule but will either meet its planned completion date or will not impact the completion dates for the subsequent milestones; and (b) “Behind-Unrecoverable”, which means the milestone is behind schedule and will not meet its planned completion date and may impact the completion dates for the subsequent milestones. No milestones were reported as Behind-Unrecoverable and only one was reported as Behind Recoverable. This was the ‘Begin Conceptual Design’ milestone for Person-Halifax 230kV line reconductoring.

Based on our review of the project milestones, we find that the mitigation projects are on schedule.

**C. Project Risks**

The Companies' Month Status Reports also provide summaries of major project risks. These project risks are related to either cost risks or commitment date risks. Currently, the Companies report that only two projects are "at risk." In both instances, this risk is related to costs, not commitment date. The two projects are Kinston DuPont-Wommack 230kV line reconductoring and Person-Halifax 230kV line reconductoring. While not included in the Report itself, the Companies explained that the projects designated "at risk" are currently above the original cost estimate.

We are mainly concerned with risks associated with time delays because these affect the efficacy of the mitigation measures. In this regard, no project is indicated at risk for meeting its completion date. We also reviewed the individual "major project risks" for each mitigation project. All projects had at least one major project risk associated with a time delay except the Durham-East Durham 230kV CT uprates, which had no major project risks at all. This is a simple project, so it is not surprising that there are no major project risks.

Each major project risk was rated regarding likelihood (Low, Moderate, or High) and impact (Minimal, Moderate, or Significant). Our concern would be heightened in circumstances of "high" likelihood and "significant" impact. Of the major project risk associated with time delay, there are three projects where either (a) the major project risk likelihood is estimated as "moderate" or "high" and the estimate impact is rated as "significant" or (b) the major project risk likelihood is estimated as "high" and the estimate impact is rated as "moderate" or "significant". These three projects are:

- (1) Greenville-Kinston DuPont 230kV construction;
- (2) Kinston DuPont – Womack 230kV line reconductoring; and
- (3) Person-(Dominion Virginia Power) Halifax 230kV line reconductoring.

In the first two of these three projects (Greenville-Kinston DuPont 230kV construction and Kinston DuPont – Womack 230kV line reconductoring), the risk is related to a major storm diverting resources to storm recovery. Storm risks are a threat to all projects, but the risks are

**Monitoring Report on Permanent Mitigation Measures  
Duke Energy Corporation and Progress Energy****Third Quarter 2012**

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amplified in the case of the line construction projects because line construction crews may be reassigned to repair damaged transmission facilities.

The third case of heightened risk that we identified is the Person- Halifax 230kV line reconductoring. The risk here is that Dominion Virginia Power, which owns that portion of the line, could not meet the in-service date. This project involves work on Dominion Virginia Power and is to be performed entirely by Dominion. Because the project is outside the management of the Companies, the Companies have less control over shifting priorities within Dominion Virginia Power that could affect the project schedule. Hence, it is logical that this constitutes a heightened risk.

We note that in all these cases, the risks have not been triggered. We will provide an updated assessment of these risks in future reports.

# Monitoring Report on Permanent Mitigation Measures Duke Energy Corporation and Progress Energy

Third Quarter 2012

## Appendix 1 – Scope of Projects

Project	Original Description in Compliance Filing	Description in Monthly Report (September 2012)
Antioch 500/230 kV - Replace two existing transformers with larger capacity ones (Duke Energy)	To meet the proposed capacity increase, the project will replace the existing transformers with two 1500 MVA transformers for a total capacity of 3000 MVA. The three major elements of the project are: 1. Specification, award of order and delivery of transformers; 2. Engineering and installation of electrical/relying upgrades to the transformer protection scheme and the necessary 500 kV/230 kV switchyard modifications at Antioch Tie and at the nearby Mitchell River Tie (on the Antioch-Mitchell River 230 kV line) which includes the replacement of two breakers at Mitchell River Tie; and 3. Removal of the existing transformers and installation of the new transformers.	To meet the proposed capacity increase, the project will replace the existing transformer banks with two 1500 MVA banks for a total capacity of 3000 MVA. Project funding will provide for the entire capacity increase including these major activities: 1) Specification, award of order and delivery of the transformers; 2) Engineering and installation of electrical/relying upgrades to the transformer protection scheme and the necessary 525kV/230kV switchyard civil modifications; 3) Installation of the new transformers including rigging/hauling from the rail siding to the transformer pads as well as the removal of the existing transformers; 4) Replacement of two 230kV over-dutied line breakers at Mitchell River Tie.
Lilesville-Rockingham 230 kV - Construct new third line (Progress East)	The Lilesville-Rockingham 230 kV line construction is expected to cost approximately \$15.7 million with a two year lead time for engineering and construction. The length of the proposed line is approximately 13 miles. PEC already owns the necessary right-of-way and has the necessary CPCN from the state of North Carolina. There are no significant permitting or other issues for this project. Routine permits from state and county agencies will be required. None of these are expected to be an impediment to meeting the cost and schedule targets above.	Construct a 14 mile long new transmission line on existing right-of-way between the Rockingham 230kV Substation and the Lilesville 230kV Switching Station. Construction will be light duty direct-buried steel H-frame using 2515kcmil conductor. One 230kV tie breaker will be installed in the Lilesville Switching Station. The existing Robinson Plant 230kV Line will be relocated into a new bay position at the Rockingham Substation to open a position for the Lilesville Line. Three new 230kV breakers are required at Rockingham.
Roxboro-E Danville 230 kV tie -add a series reactor to one Roxboro-E Danville 230 kV line and revise operating procedures (Progress East)	Addition of a series reactor on the Roxboro-East Danville 230 kV line. The Roxboro reactor addition is estimated to cost approximately \$6.6 million, with a total time to design, acquire materials and construct of two years. PEC currently owns specific property that can be used for the reactor site, and it is expected that the reactor will be placed along the existing line right-of-way. There are no significant permitting issues. Routine permits from state and county agencies will be required.	Construct a 230kV series reactor station adjacent to the existing Concord 230kV Substation. Loop the Roxboro-AEP East Danville 230kV South Line into the new reactor station and connect the reactor station 230kV bus to the Concord 230kV bus, and replace the existing 3-point relay scheme on the South Line with standard relay protection. Three new 230kV breakers and four single phase 230kV reactors (1-spares) are required in the Reactor Station. AEP will upgrade the summer emergency rating of their Danville line to 384 MVA by 01/31/2013. AEP will be responsible for their necessary relay setting changes at their AEP East Danville 230kV Substation due to the addition of the Concord Reactor Station.
Reconductor Kinston Dupont - Womrnick 230 kV line (Progress East)	The reconductoring project would replace existing conductors and transmission structures to support a bundled conductor design. The reconductoring of the Kinston Dupont-Womrnick 230 kV line is expected to cost approximately \$18 million. The existing Kinston Dupont-Womrnick line is approximately 20 miles long, and the reconductoring along with associated required changes to the ancillary equipment (CTs) will result in an increase in rating from 597 to 797 MVA.	Replace the existing single 1272kcmil conductor with bundled 795kcmil ACSS conductor. Approximately 16 existing wood structures and 32 existing steel structures will be replaced with direct-buried light duty steel structures to support the bundled conductor. The remainder of the existing light duty steel H-frame structures will remain in place. Kinston Dupont Line carrier equipment will be removed from the Womrnick Substation and OPGW fiber optics for relay coordination will be installed.

Continued on next page

# Monitoring Report on Permanent Mitigation Measures Duke Energy Corporation and Progress Energy

Third Quarter 2012

Continued from Previous page

Project	Original Description in Compliance Filing	Description in Monthly Report (September 2012)
Person - (DVP) Halifax 230 kV Line, reconductor of 20 miles of DVP portion of line (Progress East)	<p>The Dominion portion of the Person-Halifax 230 kV tie line is approximately 20.4 miles in length. The reconductoring project would replace existing conductors with conductors with greater capacity and would replace some of the transmission structures to achieve a summer rating of 712 MVA. Currently, there are no plans to pursue the project absent the merger. The reconductoring of the Person-Halifax 230 kV tie with Dominion will be accomplished within two and one half years, with agreement from Dominion. The expected cost is about \$16.2 million. Reconductoring is not expected to present any significant permitting issues</p>	<p>Upgrade the Person-Halifax 230kV line to 712 MVA (summer rating). Dominion Virginia Power (DVP) will re-conductor 20 miles of DVP's section of the Person - DVP Halifax 230kV Line by replacing the existing 2-545.6 kcmil ACAR conductor. Work will be performed by DVP. Approximately 30 angle H-frame structures and approximately 20 tangent H-frame structures are anticipated to require replacement. Line clearances will be required to replace the angle structures. Billing will occur on a quarterly schedule and in advance of work performed. Once actuals are received the amounts will be evaluated and adjusted accordingly.</p>
Wake - Carson 500 kV Line, replace existing wave traps with 4000 amp wave traps at both terminals and rework protective relaying.	<p>The replacement of the wave traps on the Wake-Carson 500 kV tie line with Dominion. Expected to cost approximately \$1.5 million, including any necessary engineering for changes to protective relaying equipment, and can be completed in approximately 15 months.</p>	<p>At Wake 500kV Substation, replace the existing 3000 amp line trap with a 4000 amp trap and up-rate Current Transfer ratios to 4000/5. Coordinate with Dominion Virginia Power to up-rate the line trap in their DVP's Carson 500kV Substation. Work scope for Dominion requires replacement of their 3000A line trap with a 4000A and relay setting revisions</p>
Durham - E. Durham 230 kV line, Up-rate CT Ratio to 3000 amps (Progress East)	<p>The Durham-East Durham Current Transfer uprate is expected to cost less than \$500,000, and can be scheduled within a two year time window.</p>	<p>Up-rate Current Transfer ratios at the East Durham 230kV Substation and the Durham 500kV Substation to 3000/5 by modifying relay settings. Duke Energy will need to upgrade their relay settings at their East Durham 230kV Substation to 3000A. Duke will need to change out 5 meters and potentially a RTU at their East Durham 230kV Station. Current Transfers in the circuit breakers will not require replacement.</p>

**APPENDIX 2: DUKE-PROGRESS ENERGY MERGER PROJECT STATUS REPORT**

## **Duke-Progress Energy Merger Projects**

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DUKE ENERGY

# **Duke-Progress Energy Merger Projects**

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## **FERC 3rd Qtr, 2012 Status Report**

**(Status Through September 30, 2012)**

**Prepared by: Steve Wilson, Sr. Project Manager**

**10/18/2012**

Duke-Progress Energy Merger Projects

Table of Contents

Portfolio Summary ..... 3

Roxboro-E. Danville 230kV Tie: Add Series Reactor (Concord Reactor Station)..... 4

Lilesville – Rockingham 230kV Line #3: Construct ..... 6

Greenville – Kinston DuPont 230kV Line: Construct..... 8

Kinston Dupont – Wommack 230kV Line: Reconductor ..... 10

Wake – Carson 500kV Line: Replace Line Traps and Revise Relaying..... 12

Durham – East Durham 230kV Line: Uprate CT Ratios to 3000 Amps..... 14

Antioch 500/230kV Substation: Replace Two Transformer Banks ..... 16

Person – (DVP) Halifax 230kV Line: Reconductor DVP Section (DVP work) ..... 18

## Duke-Progress Energy Merger Projects

### Portfolio Summary

#### Key Performance Indicators

Project Name	FERC Commitment Date	Commitment Date Status *	Cost Status *
Roxboro-E. Danville 230kV Tie: Add Series Reactor (Concord Reactor Station)	07/01/14	On track	On track
Lilesville-Rockingham 230KV Line #3 Construct	07/01/14	On track	On track
Greenville-Kinston DuPont 230KV Line Construct	12/31/14	On track	On track
Kinston DuPont-Wommack 230KV Line Reconstructor	07/01/14	On track	At risk
Wake-Carson 500kV Line Replace Line Traps and Revise Relaying	06/01/14	On track	On track
Durham-East Durham 230KV Line-Uprate CT Ratio to 3000 amps	06/01/14	On track	On track
Antioch 500/230kV Substation: Replace Two Transformer Banks	07/01/15	On track	On track
Person-(DVP) Halifax 230kV Line Reconstructor DVP Section (DVP work)	01/01/15	On track	At risk

\* on track / at risk / unrecoverable (cost status is "at risk" if current estimate is above approved amount by more than 10% and is recoverable)

#### Portfolio Financial Summary in \$thousands- September, 2012 Closing

In-Service Date	2012 YTD Actuals thru Sep.	Oct - Dec 2012	2012 Total	2013	2014	2015	Current Financial View Estimate Total	FINANCIAL VIEW WITH AFUDC AND INDIRECTS	Current Approved Amount With AFUDC & Indir.	Variance Cur Apv to Total Fin View FAV (UNFAV)	Original Mar, 2012 FERC Filing Estimate (1)
FERC Mitigation Projects Sub-Total (Less Person-Halifax Project Below)	\$1,517	\$3,279	\$4,796	\$36,510	\$10,809	\$70	\$52,185	\$65,264	\$83,961	\$18,697	\$97,263
Person-(DVP) Halifax 230kV Line Reconstructor DVP Section (DVP work)	\$0		Cash flow to be determined				\$16,025	\$16,025	\$12,200	(\$3,825)	\$16,200
Sub-Total With Person-Halifax Project (all mitigation projects in FERC Merger Order):							\$68,210	\$81,289	\$96,161	\$14,872	\$113,463
Greenville-Kinston Dupont 230KV Line Construct	6/1/2014	\$800	\$2,003	\$2,803	\$5,366	\$70	\$29,775	\$35,432	\$36,832	\$1,400	\$31,080
Portfolio Contingency allocated to risks								\$15,441	\$9,167	(\$6,274)	\$0
Portfolio Contingency unallocated								\$9,985	\$0	(\$9,985)	\$0
<b>Total Estimate (all work):</b>		<b>\$2,317</b>					<b>\$97,985</b>	<b>\$142,147</b>	<b>\$142,160</b>	<b>\$13</b>	<b>\$144,543</b>

(1) March filing estimate plus \$7.8M AFUDC

## Duke-Progress Energy Merger Projects

### Project Information

<b>Project Name:</b>	<b>Roxboro-E. Danville 230kV Tie: Add Series Reactor (Concord Reactor Station)</b>
<b>Reporting Period:</b>	September 2012
<b>Project Manager:</b>	Billy Harrell (PEC)/ John Schechter (AEP-Relay)/ Mohammed Ahmed (AEP –Line)
<b>Current Phase:</b>	Execution – Design

### Safety Summary:

No safety incidents or events

### Scope of Work:

Construct a 230kV series reactor station adjacent to the existing Concord 230kV Substation. Loop the Roxboro-AEP East Danville 230kV South Line into the new reactor station and connect the reactor station 230kV bus to the Concord 230kV bus, and replace the existing 3-point relay scheme on the South Line with standard relay protection. Three new 230kV breakers and four single phase 230kV reactors (1-spare) are required in the Reactor Station. AEP will upgrade the summer emergency rating of their Danville line to 384 MVA by 01/31/2013. AEP will be responsible for their necessary relay setting changes at their AEP East Danville 230kV Substation due to the addition of the Concord Reactor Station.

### Monthly Accomplishments:

- Began Concord site grading.

### Challenges this Reporting Period:

- Roxboro Plant evaluating blast concerns. Worked with Duke Geologist to review blasting plan for potential dam impact. Plan was approved.

### Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Amount	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance FAV / (UNFAV)
\$7,326,000	\$6,732,000	\$298,000	\$298,000	\$7,208,000	(\$476,000)

- Increase due to September award of clearing and grading contract that was higher than estimated due to overall quantity of dirt and volume of rock.

## Duke-Progress Energy Merger Projects

### Project Milestones

MILESTONE	PLANNED COMPLETION DATE	PROJECTED COMPLETION DATE	STATUS *
Complete Conceptual Design	05/25/12	05/25/12	Complete
Complete Site Design	08/15/12	08/15/12	Complete
Order Long Lead Materials/Equip.	08/31/12	08/31/12	Complete
Approve Environmental Permit	09/13/12	09/13/12	Complete
Complete Site Clearing and Grading	12/10/12	12/10/12	On schedule
Complete Line Engineering	12/21/12	12/21/12	On schedule
Complete Substation Engineering	02/01/13	02/01/13	On schedule
Complete Relay Engineering	02/01/13	02/01/13	On schedule
Complete Line Construction	08/09/13	08/09/13	
Complete Substation Construction	08/09/13	08/09/13	
Complete Relay Construction	08/09/13	08/09/13	
Complete Substation Fine Grading	08/09/13	08/09/13	
Commission (energize)	08/09/13	08/09/13	

\* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

### Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
LD Steel Poles	11/1/2012 P	P	
Site Clearing & Grading	8/20/12 A	9/13/12 A	Phillips & Jordan

### Major Project Risks

Risk Item	Likelihood	Impact Level	Estimated Impact (\$'s)	Expiration Date	Status *
Grading bid higher than budgeted	moderate	moderate	\$180,000	09/11/2012	Triggered
<del>Delay in site grading permit</del>	<del>Low</del>	<del>Minimal</del>	<del>\$82,000</del>	<del>09/13/2012</del>	<del>Not Triggered</del>
Site grading schedule impact due to weather	low	minimal	\$82,000	12/10/2012	Not Triggered
Could incur greater quantity of variable units cost than estimated in site bid.	moderate	minimal	\$85,000	12/10/2012	Not Triggered
Site grading schedule impact due to rock	high	minimal	\$75,000	12/10/2012	Not Triggered
Equipment Delivery Delays	moderate	moderate	\$180,000	03/16/2013	Not Triggered
Delay in completing AEP Work	low	minimal	\$45,000	03/31/2014	Not Triggered
Scope changes during const.	moderate	moderate	\$150,000	12/31/2013	Not Triggered

\* Not triggered, Triggered- Estimated Delay=? weeks

Total: \$797,000

## Duke-Progress Energy Merger Projects

### Project Information

<b>Project Name:</b>	<b>Lilesville – Rockingham 230kV Line #3: Construct</b>
<b>Reporting Period:</b>	September 2012
<b>Project Manager:</b>	Phil Williams
<b>Current Phase:</b>	Execution – Design

### Safety Summary:

No safety incidents or events

### Scope of Work:

Construct a 14 mile long new transmission line on existing right-of-way between the Rockingham 230kV Substation and the Lilesville 230kV Switching Station. Construction will be light duty direct-buried steel H-frame using 2515kcmil conductor. One 230kV tie breaker will be installed in the Lilesville Switching Station. The existing Robinson Plant 230kV Line will be relocated into a new bay position at the Rockingham Substation to open a position for the Lilesville Line. Three new 230kV breakers are required at Rockingham.

### Monthly Accomplishments:

- Line design is near completion. The ROW clearing and Erosion Control Plan submittal is in review. River crossing and railroad crossing permits are in process. Planning phase KO mtgs for Rockingham and Lilesville substation scopes were held Thursday 9/27/12; conceptual design activities are underway.

### Challenges this Reporting Period:

- No challenges to report.

### Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Amount	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance FAV / (UNFAV)
\$17,427,000	\$15,942,000	\$298,000	\$298,000	\$15,951,000	(\$9,000)

## Duke-Progress Energy Merger Projects

### Project Milestones

MILESTONE	PLANNED COMPLETION DATE	PROJECTED COMPLETION DATE	STATUS *
Complete Conceptual Design			Complete
Complete Clearing/Erosion Control Plan	08/31/12	08/31/12	Complete
Submit Environmental Permits	09/04/12	09/04/12	Complete
Complete Substation Engineering	04/04/13	04/04/13	On schedule
Complete Relay Engineering	04/17/13	04/17/13	On schedule
Complete Line Engineering	10/29/12	10/29/12	On schedule
Complete ROW Clearing	02/22/13	02/22/13	
Complete Line Construction	12/02/13	12/02/13	
Complete Substation Construction	12/02/13	12/02/13	
Complete Relay Construction	12/02/13	12/02/13	
Complete Substation Fine Grading	12/02/13	12/02/13	
Commission (energize)	12/02/13	12/02/13	

\* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

### Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
Engineered Poles	09/28/2012 P	02/25/2013 P	Production Slots Secured
LD Steel Poles	11/01/2012 P	03/01/2013 P	Production Slots Secured
ROW Clearing	9/4/12 P	10/29/12 P	Bundle with GKDW ROW Clearing
Construct Trans. Line	10/30/12 P	12/28/12 P	Bundle with GKDW Line Construction

### Major Project Risks

Risk Item	Likelihood	Impact Level	Estimated Impact (\$'s)	Expiration Date	Status *
Late material delivery	low	moderate	\$300,000	2/5/2013	Not triggered
Permits not obtained by construction start	low	moderate	\$300,000	2/5/2013	Not triggered
Major storm take construction resources away	low	moderate	\$300,000	12/1/2013	Not triggered
Construction contract awards higher than estimated	moderate	significant	\$500,000	1/3/2013	Not triggered
Scope changes during const.	moderate	moderate	\$200,000	12/1/2013	Not triggered

\* Not triggered, Triggered-Estimated Delay=? Weeks

Total: \$1,600,000

## Duke-Progress Energy Merger Projects

### Project Information

<b>Project Name:</b>	<b>Greenville – Kinston DuPont 230kV Line: Construct</b>
<b>Reporting Period:</b>	September 2012
<b>Project Manager:</b>	Bob Pitts
<b>Current Phase:</b>	Execution – Design

### Safety Summary:

No safety incidents or events

### Scope of Work:

Clear and Construct a 26 mile long new transmission line on existing right-of-way between the Greenville 230kV Substation and the Kinston DuPont 230kV Substation. Most of the construction will be light duty direct-buried steel H-frame using bundled 795kcmil ACSS conductor. Approximately 62% of the right of way presently requires clearing, and 46% of the right of way requires hand cutting for wetlands. The existing Everetts and Aurora 230kV Lines must be relocated at Greenville; a section of the Wilson also must be relocated; two new 230kV breakers installed and one removed. Substantial bus reconfiguration is required at Greenville. Three new 230kV breakers and a new substation line-terminal dead-end structure will be installed in the Kinston DuPont Substation. When completed, the Greenville Substation will be a six-element ring bus, and the Kinston DuPont Substation will be a three-element ring bus. The substations will be connected with OPGW fiber for data communications. The Greenville Substation is within the 100-year flood plain.

### Monthly Accomplishments:

- Completed the erosion control plan for clearing 201 acres of right of way
- PEC received approval from USF&W for bald eagle mitigation
- Final designs for line, substation, site and protection & control are ongoing and on-schedule

### Challenges this Reporting Period:

- None.

### Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Amount	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance FAV / (UNFAV)
\$31,080,000	\$36,832,000	\$800,000	\$800,000	\$34,432,000	\$1,400,000

- Eliminated matting requirement for line construction in upland areas.

## Duke-Progress Energy Merger Projects

### Project Milestones

MILESTONE	PLANNED COMPLETION DATE	PROJECTED COMPLETION DATE	STATUS *
Complete Conceptual Design	07/03/12	07/03/12	Complete
Complete Line Clearing/Erosion Plan	09/28/12	09/28/12	Complete
Submit Construction Permits	11/19/12	11/19/12	on schedule
Complete Substation Engineering (all)	12/14/12	12/14/12	on schedule
Complete Relay Engineering (all)	03/29/13	03/29/13	on schedule
Complete Line Engineering	01/29/13	01/29/13	on schedule
Complete ROW Clearing	06/28/13	06/28/13	
Complete Line Construction	05/16/14	05/16/14	
Complete Substation Construction	04/30/14	04/30/14	
Complete Relay Construction	04/30/14	04/30/14	
Complete Substation Fine Grading	05/30/14	05/30/14	
Commission (energize)	05/30/14	05/30/14	

\* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

### Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
LD Steel Poles	Phase 1 09/10/2012 A	Phase 1 12/02/2012 P	T&B, \$768K
LD Steel Poles	Phase 2 09/14/2012 A	Phase 2 04/02/2013 P	T&B, \$961K
ACSS Conductor	Phase 1 09/04/2012 A	Phase 1 02/27/2013 P	Southwire, \$709K
ACSS Conductor	Phase 2 09/10/2012 A	Phase 2 08/19/2013 P	Southwire, \$845K
ROW Clearing	10/1/12 P	10/31/12 P	Bundle with KDW and Rockingham-Lilesville
Construct Trans. Line	11/5/12 P	11/30/12 P	Bundle with KDW and Rockingham-Lilesville

### Major Project Risks

Risk Item	Likelihood	Impact Level	Estimated Impact (\$'s)	Expiration Date	Status *
Late material delivery	moderate	moderate	\$950,000	11/27/2013	Not triggered
Permits not obtained by construction start	moderate	moderate	\$950,000	12/14/2012	Not triggered
Major storm takes construction resources away	moderate	significant	\$1,850,000	11/01/2013	Not triggered
Construction contract awards higher than estimated	moderate	significant	\$1,000,000	12/14/2012	Not triggered
Scope changes during const.	moderate	moderate	\$500,000	6/1/2014	Not triggered

\* Not triggered, Triggered-Estimated Delay=? weeks

Total: \$5,250,000

## Duke-Progress Energy Merger Projects

### Project Information

<b>Project Name:</b>	<b>Kinston Dupont – Wommack 230kV Line: Reconductor</b>
<b>Reporting Period:</b>	September 2012
<b>Project Manager:</b>	Bob Pitts
<b>Current Phase:</b>	Execution – Design

### Safety Summary:

No safety incidents or events

### Scope of Work:

Replace the existing single 1272kcmil conductor with bundled 795kcmil ACSS conductor. Approximately 16 existing wood structures and 32 existing steel structures will be replaced with direct-buried light duty steel structures to support the bundled conductor. The remainder of the existing light duty steel H-frame structures will remain in place. Kinston Dupont Line carrier equipment will be removed from the Wommack Substation and OPGW fiber optics for relay coordination will be installed.

### Monthly Accomplishments:

- Final line design segment 1 completed; construction start in November
- Received approvals for erosion control plan for rebuild and Section 10 Nationwide Permit 3 for revised Neuse River crossing
- PEC received approval from USF&W for bald eagle mitigation
- Existing right of way in segments 1 & 2 mowed prior to construction

### Challenges this Reporting Period:

- None.

### Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Amount	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance FAV / (UNFAV)
\$19,980,000	\$9,037,000	\$906,000	\$906,000	\$10,139,000	(\$1,102,000)

- Increased line construction contract labor estimate to better reflect compressed duration of work being performed under line clearances
- Increased crop damages estimate after reviewing amount of line in cultivated fields

## Duke-Progress Energy Merger Projects

### Project Milestones

MILESTONE	PLANNED COMPLETION DATE	PROJECTED COMPLETION DATE	STATUS *
Complete Conceptual Design	07/03/12	07/03/12	Complete
Complete Erosion Control Plan	08/31/12	08/31/12	Complete
Obtain Construction Permits	09/28/12	09/28/12	Complete
Complete Substation Engineering	01/18/13	01/18/13	on schedule
Complete Relay Engineering	03/29/13	03/29/13	on schedule
Complete Line Engineering	12/20/12	12/20/12	on schedule
Begin Line Construction	11/05/12	11/05/12	
Complete Line Construction	05/30/14	05/30/14	
Complete Substation Construction	05/30/14	05/30/14	
Complete Relay Construction	05/30/14	05/30/14	
Commission (energize)	05/30/14	05/30/14	

\* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

### Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
LD Steel Poles	Phase 1 - 3 08/24/2012 A	Phase 1 - 3 09/28/2012 P	T&B, \$456K
ACSS Conductor	Phase 1 09/07/2012 A	Phase 1 02/27/2013 P	Southwire, \$456K
ACSS Conductor	Phase 2 09/10/2012 A	Phase 2 08/22/2013 P	Southwire, \$328K
ACSS Conductor	Phase 3 09/10/2012	Phase 3 12/02/2013	Southwire, \$398K
Construct Trans. Line	11/5/12 P	11/30/12 P	Bundle with GKD and Rockingham-Lilesville

### Major Project Risks

Risk Item	Likelihood	Impact Level	Estimated Impact (\$'s)	Expiration Date	Status *
Late material delivery	moderate	moderate	\$380,000	5/9/2014	Not triggered
Permits not obtained by construction start	moderate	moderate	\$380,000	2/22/2013	Not triggered
Major storm takes construction resources away	moderate	significant	\$380,000	11/1/2013	Not triggered
Line clearance durations inadequate for scope	low	significant	\$380,000	5/30/2014	Not triggered
Construction contract awards higher than estimated	moderate	significant	\$400,000	2/22/2013	Not Triggered
Scope changes during const.	moderate	moderate	\$200,000	6/1/2014	Not Triggered

\* Not triggered, Triggered-Estimated Delay=? Weeks

Total: \$2,120,000

## Duke-Progress Energy Merger Projects

### Project Information

<b>Project Name:</b>	<b>Wake – Carson 500kV Line: Replace Line Traps and Revise Relaying</b>
<b>Reporting Period:</b>	September 2012
<b>Project Manager:</b>	Billy Harrell (PEC)/ Steve Binford (DVP)
<b>Current Phase:</b>	Planning

### Safety Summary:

No safety incidents or events

### Scope of Work:

At Wake 500kV Substation, replace the existing 3000 amp line trap with a 4000 amp trap and up-rate CT ratios to 4000/5. Coordinate with Dominion Virginia Power to up-rate the line trap in their DVP's Carson 500kV Substation. PEC will reimburse DOM for all cost incurred. Billing will occur on a quarterly schedule and in advance of work performed. Once actuals are received the amounts will be evaluated and adjusted accordingly. Work scope for Dominion requires replacement of their 3000A line trap with a 4000A and relay setting revisions.

### Monthly Accomplishments:

- Substation and Relay design started.
- Equipment on order.
- Planning Phase completed by DVP and reduced scope.

### Challenges this Reporting Period:

- No challenges to report.

### Financial Summary (Financial View with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Amount	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance FAV / (UNFAV)
\$1,665,000	\$1,877,000	\$6,000	\$6,000	\$961,000	\$916,000

- Original estimate was a ball bark and included significant amount of scope needed by DVP. DVP determined that a minimal amount of work is required and thus the estimate has been adjusted.

## Duke-Progress Energy Merger Projects

### Project Milestones

MILESTONE	PLANNED COMPLETION DATE	PROJECTED COMPLETION DATE	STATUS *
Complete Conceptual Design	09/05/12	09/05/12	Complete
Complete Substation Engineering	12/14/12	12/14/12	On Schedule
Complete Relay Engineering	01/16/13	01/16/13	On Schedule
Begin Construction	03/22/13	03/22/13	
Complete Substation Construction	04/19/13	04/19/13	
Complete Relay Construction	05/10/13	05/10/13	
DVP Completes Construction	04/28/12	04/28/12	
Commission (Energize)	05/10/13	05/10/13	

\* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

### Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
All materials covered on blankets			

### Major Project Risks

Risk Item	Likelihood	Impact Level	Estimated Impact (\$'s)	Expiration Date	Status *
Late Delivery of Equipment	low	high	\$29,000	3/29/2013	Not triggered
Line and Breaker Clearance Restrictions	moderate	moderate	\$18,000	4/29/2013	Not triggered
Damage to Major Equipment	low	high	\$23,000	3/22/2013	Not triggered
Major storm take construction resources away	low	moderate	\$8,000	3/22/2013	Not triggered
Scope changes during const.	moderate	moderate	\$20,000	6/1/2013	Not triggered

\* Not triggered, Triggered-Estimated Delay=? Weeks

Total: \$98,000

## Duke-Progress Energy Merger Projects

### Project Information

<b>Project Name:</b>	<b>Durham – East Durham 230kV Line: Uprate CT Ratios to 3000 Amps</b>
<b>Reporting Period:</b>	September 2012
<b>Project Manager:</b>	Billy Harrell (PEC)/ Scott Jones (Duke)
<b>Current Phase:</b>	Initiation

### Safety Summary:

No safety incidents or events

### Scope of Work:

Up-rate CT ratios at the East Durham 230kV Substation and the Durham 500kV Substation to 3000/5 by modifying relay settings. No PEC work is required at the Durham 500kV Substation due to recent modifications that upgraded the relay settings to 3000A. Duke Energy will need to upgrade their relay settings at their East Durham 230kV Substation to 3000A. Duke will need to change out 5 meters and potentially a RTU at their East Durham 230kV Station. CT's in the circuit breakers will not require replacement.

### Monthly Accomplishments:

- Continuing to coordinated project scope, schedule and milestones with Duke Project Manager. Duke will have minor modifications to implement at their East Durham Substation.

### Challenges this Reporting Period:

- No challenges to report.

### Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Amount	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance FAV / (UNFAV)
\$555,000	\$63,000	\$0	\$0	\$62,000	\$1,000

## Duke-Progress Energy Merger Projects

### Project Milestones

MILESTONE	PLANNED COMPLETION DATE	PROJECTED COMPLETION DATE	STATUS *
Complete Conceptual Design	07/19/12	07/19/12	Complete
PEC Commission (energize)	N/A	N/A	
Duke Commission (energize)	12/31/12	12/31/12	On Schedule

\* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

### Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
No major materials			

### Major Project Risks

Risk Item	Likelihood	Impact Level	Estimated Impact (\$'s)	Expiration Date	Status *
<i>None</i>					

\* Not triggered, Triggered-Estimated Delay=? weeks

## Duke-Progress Energy Merger Projects

### Project Information

<b>Project Name:</b>	<b>Antioch 500/230kV Substation: Replace Two Transformer Banks</b>
<b>Reporting Period:</b>	August 2012
<b>Project Manager:</b>	Scott Jones
<b>Current Phase:</b>	Preliminary Engineering

### Safety Summary:

No safety incidents or events

### Scope of Work:

Currently, there is 1500 MVA of total installed capacity at the site. To meet the proposed capacity increase, the project will replace the existing transformer banks with two 1500 MVA banks for a total capacity of 3000 MVA. Project funding will provide for the entire capacity increase including these major activities: 1) Specification, award of order and delivery of the transformers; 2) Engineering and installation of electrical/relaying upgrades to the transformer protection scheme and the necessary 525kV/230kV switchyard civil modifications; 3) Installation of the new transformers including rigging/hauling from the rail siding to the transformer pads as well as the removal of the existing transformers. 4) Replacement of two 230kV over-dutied line breakers at Mitchell River Tie.

### Monthly Accomplishments:

- Initiated transformer design
- Initiated existing transformer salvage project

### Challenges this Reporting Period:

- Determining best means of salvaging existing transformers
- Confirm transformer hauling feasibility and permitting
- Sourcing substation engineering component

### Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Amount	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance FAV / (UNFAV)
\$50,310,000	\$50,310,000	\$9,000	\$9,000	\$30,943,000	\$19,367,000

- Transformer award was lower than estimated
- Does NOT include contingency

## Duke-Progress Energy Merger Projects

### Project Milestones

Project Schedule may adjust once transformer purchase is negotiated and vendor supplies actual dates.

MILESTONE	Planned Completion Date	Projected Completion Date	STATUS *
Award Transformer PO	09/18/12	09/12/12	Complete
Complete Preliminary Design	12/19/12	12/19/12	
Complete Substation Engineering	05/13/13	05/13/13	
Complete Relay Engineering	05/13/13	05/13/13	
First Transformers to Rail Siding	08/15/13	08/15/13	
Begin Construction – Bank 2	08/15/13	08/15/13	
Bank 2 Outage Begins	09/16/13	09/16/13	
Complete Sub. Construction – Bank 2	12/01/13	12/01/13	
Complete Relay Construction – Bank 2	12/01/13	12/01/13	
Second Transformers to Rail Siding	02/01/14	02/01/14	
Begin Construction – Bank 1	02/15/14	02/15/14	
Bank 1 Outage Begins	03/03/14	03/03/14	
Complete Sub. Construction – Bank 1	05/09/14	05/09/14	
Complete Relay Construction – Bank 1	05/09/14	05/09/14	
Begin Construction-Mitchell River	05/01/13	05/01/13	
Complete Construction – Mitchell River	08/01/13	08/01/13	
Commission (energize)	06/01/14		

\* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

### Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
7- 560MVA 525kV/230kV Transformers	09/11/12 A	(4) - 08/15/13 P (3) - 02/15/14 P	Bid awarded to Siemens. \$19.4M, including installation.

### Major Project Risks

Risk Item	Likelihood	Impact Level	Estimated Impact (\$'s)	Expiration Date	Status *
Transformer manufacturing or delivery delays could impact outage window	moderate	minimal	\$500,000	8/1/2013	Not triggered
Haul path not approved could result in significant delays while determining alternate path or upgrading route	low	minimal	\$137,500	5/13/2013	Not triggered
Transformer damage in delivery (1 <sup>st</sup> 4) could require operating without spare and impact outage window	low	significant	\$2,000,000	11/1/2013	Not triggered
Transformer damage in delivery (2 <sup>nd</sup> 3)	low	moderate	\$1,500,000	5/1/2014	Not triggered
Outage windows reduced or delayed	low	moderate	Schedule		Not triggered
Additional delays/labor increases	low	minimal	\$1,137,500	6/1/2014	Not triggered

\* Not triggered, Triggered-Estimated Delay=? Weeks

Total: \$5,275,000

## Duke-Progress Energy Merger Projects

### Project Information

<b>Project Name:</b>	<b>Person - (DVP) Halifax 230kV Line: Reconductor DVP Section (DVP work)</b>
<b>Reporting Period:</b>	September 2012
<b>Project Manager:</b>	Wayne Belvin (DVP)/ Billy Harrell (PEC)
<b>Current Phase:</b>	Planning

### Safety Summary:

No safety incidents or events

### Scope of Work:

Upgrade the Person-Halifax 230kV line to 712 MVA (summer rating). DVP will re-conductor 20 miles of Dominion Virginia Power's section of the Person - DVP Halifax 230kV Line by replacing the existing 2-545.6 kcmil ACAR conductor. Work will be performed by DVP. Approximately 30 angle H-frame structures and approximately 20 tangent H-frame structures are anticipated to require replacement. Line clearances will be required to replace the angle structures. Billing will occur on a quarterly schedule and in advance of work performed. Once actuals are received the amounts will be evaluated and adjusted accordingly.

### Monthly Accomplishments:

- New DVP PM assigned due to prior PM workload issue. Interface with new DVP PM to discuss project scope, schedule and desired 6/01/14 in service date.
- Coordinating new Duke/DVP agreement to revise in service agreement from 9/01/14 to 6/01/14.

### Challenges this Reporting Period:

- Continuing to address DUK/PEC financial potential concern of paying DVP for services prior to services being performed, per our contract agreement.

### Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Amount	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance FAV / (UNFAV)
\$16,200,000	\$12,200,000	\$0	\$0	\$16,025,000	(\$3,825,000)

- The project was originally estimated at \$16M. Decision was made to move \$4M to contingency when the projects were approved because DVP does not plan to charge Progress Energy-Carolinas gross-up taxes. In August, 2012 DVP informed us that their current estimate is \$16,025,000 without gross-up taxes.

## Duke-Progress Energy Merger Projects

### Project Milestones

MILESTONE	PLANNED COMPLETION DATE	PROJECTED COMPLETION DATE	STATUS *
Begin Conceptual Design	08/20/12	08/20/12	Behind-recoverable
Complete Conceptual Design	11/30/12	11/30/12	On schedule
Complete Line Engineering	05/01/13	05/01/13	
Begin Line Construction	07/02/13	07/02/13	
Complete Line Construction	06/01/14	06/01/14	
Commission (Energize)	06/01/14	06/01/14	

\* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

### Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
Poles (DVP)			Dominion to procure
Conductor (DVP)			Dominion to procure

### Major Project Risks

Risk Item	Likelihood	Impact Level	Estimated Impact (\$'s)	Expiration Date	Status *
Dominion Virginia Power does not meet desired 6/1/2014 in service date	Moderate	High	\$3,600,000	6/1/2014	Not Triggered

\* Not triggered, Triggered-Estimated Delay=? weeks

Document Content(s)

Filing Letter Q3 2012.PDF.....	1-1
Q3_2012_Final.PDF.....	2-31